

Chapter 4

“Client Relationships”

“... Listen to the client. Create value for the client and their operations.... Innovation. Understanding in depth issues, adapting all the capabilities from IBM and creating solutions.”
- IBM CEO Sam Palmisano

Recent Statistics:

- 68% of clients who leave do so due to poor client service.
- Every unhappy client tells at least 7 people they know, but less than 5% of the unhappy clients will complain to you and tell you what is wrong.
- It cost 6 times as much to acquire a new client than it does to keep an existing one.
- 87% of executives believe that good client service is no longer enough – clients want an unprecedented level of speed, service, quality, and information (On Demand Business).

Your relationship with your client is very important because your client needs someone they can trust as they evolve into an On Demand Business.

- **Understanding the Client**
 - All clients are different, but strive to meet two strategic imperatives:
 - Innovating the business (focuses on ways to differentiate and capture new value)
 - What is the business continuity and infrastructure availability?
 - How does the client drive business innovation and improve speed to market and delivery of new products and services?
 - What are the considerations to enhance oversight in addressing regulatory requirements?
 - How does the client extract greater value from their data?
 - Is the client focused on its core competencies?
 - How does the client improve their clients' experience?
 - How does the client simplify and streamline their core business processes?
 - Making better use of resources to be more productive
 - What can be done to improve operating efficiencies and increase business flexibility?
 - In today's world of ever increasing threats to the business, how do we increase security and protection of information assets?
 - The client has significant investments in IT. How can these be optimized? What about optimizing the value chain?
 - How do we assist our clients in their need to protect the privacy of their client and employee information?

- How do we help the client report financial data more accurately?
- Understanding the importance of being open to the most appropriate client entry point and having the ability to solve it through the alignment of client resources is critical.

• Entry Points

- There are four client areas:
 - Business components: bounded groups of tightly linked business activities (think of as discrete nodes in a configurable value network).
 - The defining component is the service it provides rather than the position it occupies in a sequence of steps.
 - Each receives inputs, adds value, and outputs the results to other components.
 - Can be snapped in and out like plastic blocks.
 - Provides helpful framework to view the business as a network of discrete components which helps managers discover where the value comes from, or not, within their organization.
 - Take these steps when working with your client:
 1. Create a component view of your client's business.
 2. Decide what is differentiating for them and what is simply operating.
 3. Analyze costs.
 4. Prioritize transformation initiative.
 - Process integration:
 - Horizontal business integration is much deeper than the traditional point-to-point connectivity.
 - In On Demand Business, every application is linked with open standards and technologies running on open systems.
 - Technology resources become virtualized which can help a business adapt immediately or even automatically to meet unpredictable market demands and crises.
 - Can respond dynamically to any kind of challenge, anywhere in the value enterprise or value chain.
 - Here are some activities to focus on:
 1. Define existing versus ideal processes.
 2. Model new processes across divisions and cross-company if necessary.
 3. Create necessary new components.
 - Simplifying IT:
 - By simplifying an organization's strategies, processes, technology, and culture, there is a dynamic link between business and technology that unlocks business potential and creates shareholder value.

- Work with your client to accomplish these tasks:
 1. Customize and integrate components of horizontal processes.
 2. Simplify underlying infrastructure using a modular, standards-based approach.
 3. Build an autonomic policy and features.

■ Delivery and payment:

- Today, IT spending must be able to show a proven business benefit.
- You can help your clients better align their IT resources and spending with business requirements.
- By purchasing IT capabilities as a service, clients enjoy flexible pricing based on usage.
- Consider these options:
 1. Choose from on- and off-premise delivery models based on who can best provide the service that is required.
 2. Select financial options that support your client's business case.

• Qualifying Questions

- If your client answers “yes” to one or more of these questions, then they can move forward on their journey to becoming an On Demand Business:
 1. Do you spend a larger percentage of your technology management budget on maintenance, rather than creating new capabilities?
 2. Do you need to improve your ability to sense and shape demand to match capacity in real-time?
 3. Do you have a fragmented view of customer data and, therefore, are unable to anticipate and respond to customer issues?
 4. Are you unable to meet earnings goals if revenue declines?
 5. Do you spend a majority of finance time and cost on reporting and transaction processing, rather than on strategic issues?
 6. Do you have difficulty matching work to people and people to work without a time lag?

• Business Areas to Explore (If your client decides to move forward to On Demand Business)

Any question with “no” as a response represents a potential opportunity for On Demand Business

- Client Management: addresses all interactions between your client and their clients.
 - Can you sense and shape demand to match capacity in real time?
 - Can you anticipate and respond to issues and situations before your customers do?
 - Can you connect at anytime, anywhere, and receive the same quality of service?

- Is it possible to generate a complete view of customer data anytime, anywhere, and from anyone?
- Supply Chain Management: looks at all activity between the clients and their suppliers.
 - Does response time down the supply chain keep up with demand (supplier to line)?
 - Is your sourcing and manufacturing strategy organized around solutions, rather than product components?
 - Can you anticipate capacity or supply issues, assess impacts of decisions, and flex the extended and global supply chain within 24 hours as necessary?
 - Are your operations autonomic (they can function in hands off, lights out mode)?
 - Can the extended manufacturing chain vary capacity to meet new build requirements simultaneously and instantaneously, working virtually as one factory?
 - Do you have visibility into shipments at any point in the extended chain at anytime, and can you make changes in real time?
- Product or Service Lifecycle Management: tracks all activities about a product or service from the initial creation of the product through its obsolescence.
 - Are you consistently first into a profitable market?
 - Do you deliver solutions, and not just products?
 - Do you have the economics of scale to deliver the best engineering design capabilities in the industry, or do you buy the services?
 - Can you vary the level of engineering skills and capacity to match your exact needs, no more, no less?
 - Can you flexibly manage engineering resources from anywhere at anytime?
 - Do you have the ability to virtualize design infrastructure to minimize capital investment?
- Technology Management: focuses on the use of and spending for information technology to support the business.
 - Do you spend 60% of your budget on creating new capabilities and 40% on maintenance?
 - Do you spend 80% of your time exploring ways to increase investments in technology and 20% determining how to manage costs?
 - Is your IT infrastructure open, autonomic, virtualized, and integrated?
 - Is IT viewed as a business partner, and not a necessary evil?
 - Does your IT organization have a goal of creating business value?
- Human Capital Management: involves managing and supporting the employee base across the organization.
 - Do organizational boundaries matter more than skills, projects, and relationships?
 - Can you extract the value of the employee matrix?

- Can you align individual and organizational performance metrics to business objectives autonomically as dynamics change?
 - Can you match work to people and people to work without a time lag?
- Finance and Legal: cover fiscal responsibility along with all required reporting regulations.
 - Can you manage volatility within the quarter?
 - Can you meet earnings goals even when revenue declines?
 - Does the CEO have instant visibility into performance indicators for all aspects of the business anywhere in the world?
 - Are your financial systems so resilient that investors can trust your numbers, regardless of who the auditors are?
 - Can you achieve a profit to expense ratio (PE) increase of 20% to 25% as a result of decreased profit volatility?
 - Do you spend 80% of finance time and cost on strategic issues and only 20% on reporting and transaction processing?
 - Are your finance costs at 0.25% of revenues because you use global resources and automation?

- **Responding to Client Questions, Concerns About On Demand Business**
 - Question: “Is On Demand Business about technology or business?”
 - Answer: On Demand Business is about both of these things. They intersect to unleash new capabilities and client experiences within an industry.
 - Question: “Does On Demand Business require that I overhaul everything in one vast project?”
 - Answer: Roadmaps are available today to guide the journey to becoming an On Demand Business. The roadmaps are divided into flexible, manageable chunks that suit each client’s particular situation. It may help to discuss the value proposition because it targets businesses and organizations that are seeking to succeed in the On Demand Business world. IBM and our Business Partners can help to make a customized roadmap to fit the needs of a client. This starting point will give them intermediate return and long-term value to help them become an On Demand Business.
 - Part of client relations is learning what to sell. Here are 3 areas that can help to address the types of changes a client needs to consider and create a solidified client relationship:
 1. Business Transformation: The transformation of an organization’s strategy, processes, technology, and culture to increase business productivity and enable flexible growth.
 2. On Demand Operating Environment: A set of capabilities organized in a way that allows clients to enable business transformation through new design. The design of on demand operating environment must match the design of the business itself.

3. Flexible Financial and Delivery Offerings (FFDO): A way to purchase IT capabilities as a service, which allows clients to benefit from flexible pricing based on usage. This can help your client better align their IT resources.